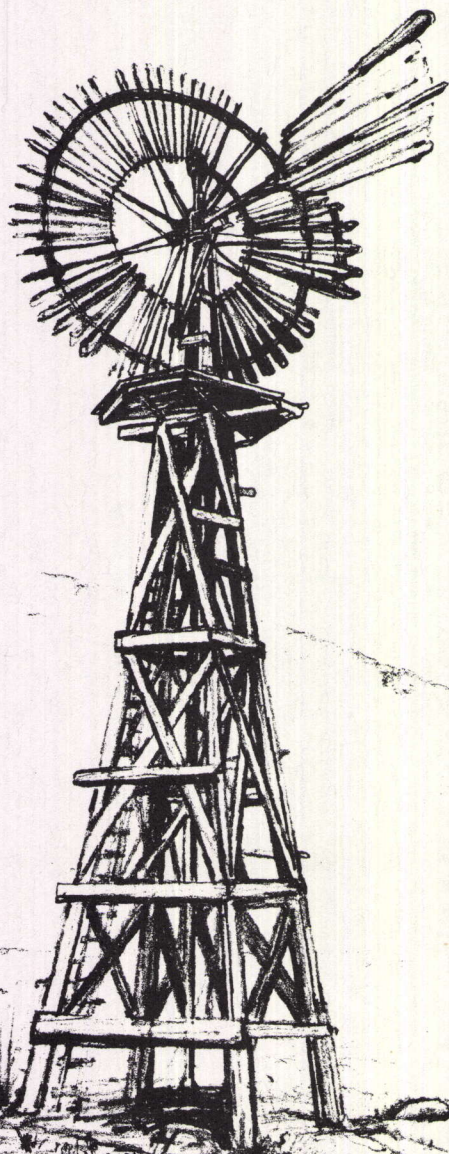


M/043/004
RECEIVED 3/31/92



UTELITE CORPORATION

Financial Statement

December 31, 1991

Lynn M. Carlson & Co.

CERTIFIED PUBLIC ACCOUNTANTS

175 SOUTH WEST TEMPLE
SUITE 710
SALT LAKE CITY, UTAH 84101
TELEPHONE (801) 531-1317

Lynn M. Carlson & Co.

CERTIFIED PUBLIC ACCOUNTANTS

175 SOUTH WEST TEMPLE
SUITE 710
SALT LAKE CITY, UTAH 84101
TELEPHONE (801) 531-1317
FAX (801) 521-9041
TELEX 373-0911 LYN

To the Board of Directors
Utelite Corporation
Coalville, Utah 84017

We have reviewed the accompanying statement of assets and liabilities--income tax basis of **Utelite Corporation** (an S corporation) as of December 31, 1991, and the related statements of revenues and expenses--income tax basis, retained earnings--income tax basis and cash flows--income tax basis for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the owners of **Utelite Corporation**.

The financial statements have been prepared on the accounting basis used by the Company for federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the income tax basis of accounting, as described in Note A.



LYNN M. CARLSON & CO.

March 31, 1992

UTELITE CORPORATION
STATEMENT OF ASSETS, LIABILITIES & EQUITY—INCOME TAX BASIS
December 31, 1991

ASSETS

CURRENT ASSETS

Cash	\$ 495,505.85
Trade Accounts Receivable	262,152.98
Employee Accounts Receivable	500.00
Material in Process	275,330.09
Notes Receivable--Current	62,187.78
Notes Receivable Shareholder--Current	<u>28,875.33</u>

TOTAL CURRENT ASSETS 1,124,552.03

PROPERTY AND EQUIPMENT

Land	273,486.49
Buildings & Land Improvements	272,825.52
Plant Machinery & Equipment	2,200,819.23
Pollution Control Equipment	235,224.11
Machinery	537,859.94
Autos, Trucks, Trailers	46,114.59
Office Equipment	53,433.19
Less Accumulated Depreciation	<u>(2,478,581.86)</u>

1,141,181.21

OTHER ASSETS

Notes Receivable--LT	21,286.16
Notes Receivable Shareholder--LT	<u>158,183.31</u>

179,469.47

\$2,445,202.71
=====

See accompanying notes and accountant's report.

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 90,943.32
Accrued Payroll Taxes	5,121.74
Notes Payable--Current	<u>43,092.40</u>

TOTAL CURRENT LIABILITIES 139,157.46

LONG TERM LIABILITIES

Notes Payable--Long Term	<u>79,691.17</u>
--------------------------	------------------

TOTAL LIABILITIES 218,848.63

STOCKHOLDERS' EQUITY

Common Stock, Par Value \$1.00	164,758.00
500,000 Shares Authorized	
164,758 Shares Issued of which	
49,690 are Held in Treasury	
Premium on Capital Stock	225,613.70
Treasury Stock	(49,690.00)
Retained Earnings	<u>1,885,672.38</u>
	<u>2,226,354.08</u>

\$2,445,202.71
=====

See accompanying notes and accountant's report.

UTELITE CORPORATION
STATEMENT OF REVENUE AND EXPENSES—INCOME TAX BASIS
December 31, 1991

SALES	\$2,971,199.53
COST OF SALES	
Inventory Adjustment	(106,656.37)
Direct Labor	569,411.315
Plant Power & Utilities	102,259.49
Kiln Fuel	337,092.94
Delivery Expense	840,664.47
Small Tools	2,874.21
Supplies	22,708.32
Repairs & Maintenance	213,182.86
Fuel & Oil	43,536.54
Raw Material Royalties	16,271.25
Lab & Testing	6,824.95
	<u>2,048,169.97</u>
GROSS PROFIT	923,029.56
EXPENSES	
Marketing & Promotion	9,785.25
Employee Benefits	93,886.17
Payroll Taxes	56,476.67
Advertising	5,663.94
Travel & Sales	17,594.76
Insurance	11,184.69
Telephone	14,709.37
Legal & Professional	31,678.04
Office Supplies & Postage	13,618.84
Taxes & Licenses	39,185.20
Auto Allowance & Expense	16,086.97
Miscellaneous & Bank Charges	2,836.88
Bad Debts	655.92
Dues, Subscriptions	8,846.08
Training	1,329.93
Depreciation	275,462.50
Management & Accounting	6,792.35
Rent	7,127.04
MSHA	400.00
ESCSI	8,647.97
Depletion	56,952.94
	<u>678,921.51</u>
INCOME FROM OPERATIONS	244,108.05
OTHER INCOME (EXPENSE)	
Interest & Dividend Income	29,055.77
Gain (Loss) on Sale of Assets	59,451.00
Interest Expense	(15,086.28)
	<u>73,420.49</u>
NET INCOME	\$ 317,528.54
	=====

See accompanying notes and accountant's report.

UTELITE CORPORATION
STATEMENT OF RETAINED EARNINGS—INCOME TAX BASIS
December 31, 1991

ACCUMULATED ADJUSTMENTS ACCOUNT

Balance, January 1, 1991	\$1,230,493.47
Taxable Income	317,528.54
Distributions	(<u>400,999.99</u>)
Balance, December 31, 1991	1,147,022.02

PREVIOUSLY TAXED INCOME

Balance, January 1, 1991	22,407.87
Distributions in Excess of the Accumulated Adjustments Account	(<u> .00</u>)
Balance, December 31, 1991	22,407.87

OTHER RETAINED EARNINGS

Balance, January 1, 1991	659,289.55
Allowance for % Depletion	<u>56,952.94</u>
Balance, December 31, 1991	<u>716,242.49</u>

TOTAL RETAINED EARNINGS, DECEMBER 31, 1991	\$1,885,672.38 =====
---	---------------------------------------

See accompanying notes and accountant's report.

UTELITE CORPORATION**STATEMENT OF CASH FLOWS—INCOME TAX BASIS**

For the Twelve Months Ended December 31, 1991

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 317,528.54
Adjustments to Reconcile Net Income to	
Net Cash Provided by Operating Activities:	
Depreciation	275,462.50
Depletion	56,952.94
Gain on Sale of Assets	(59,451.00)
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	106,871.31
Increase in Inventory	(106,656.37)
Increase in Accounts Payable & Accrued Expenses	(45,397.93)
NET CASH PROVIDED BY OPERATING ACTIVITIES	545,309.99

CASH FLOWS FROM INVESTING ACTIVITIES

Loan to Western Clay Company	(60,000.00)
Principal Received on Western Clay Note	4,789.86
Principal Received on Sunbeam Coal Purchase Contract	2,105.97
Loans to Shareholders	(187,000.00)
Principal Received on Shareholder Loans	37,527.39
Advances to Employees	(216.73)
Land Purchases	(241,695.39)
Capital Expenditures	(202,057.61)
Proceeds from Sale of Assets	60,210.00
Bid Bond Returned	5,439.00
NET CASH PROVIDED BY INVESTING ACTIVITIES	(580,897.51)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Bank Loan	215,462.02
Principal Payment on Bank Loan	(92,678.45)
Proceeds from Stock Purchase	175,000.00
Dividends Paid	(400,999.99)
NET CASH PROVIDED BY FINANCING ACTIVITIES	(103,216.42)

NET INCREASE IN CASH AND CASH EQUIVALENTS (138,803.94)**CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** 634,309.79**CASH AND CASH EQUIVALENTS AT END OF PERIOD** \$ 495,505.85
=====

See accompanying notes and accountant's report.

NOTES TO THE FINANCIAL STATEMENTS

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Tax Basis of Accounting

The Company's policy is to prepare its financial statements on the income tax basis of accounting; consequently, the Company recognizes depletion expense as the greater of cost depletion or statutory depletion. Under generally accepted accounting principles, only cost depletion is acceptable.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income.

Allowance for Doubtful Accounts

No reserve for bad debts has been established by the Company. Historically, uncollectible accounts receivable have not been significant enough to warrant establishing a reserve. Bad debts are written off as it becomes evident that they are uncollectible; any recoveries are included in income when received.

Inventories

Inventories are valued at the lower of cost or market under the first-in, first-out (FIFO) method. Cost is determined using the Internal Revenue Code's guidelines with respect to uniform capitalization of inventory.

Depreciation

Property, plant and equipment is carried at cost. Depreciation is provided over the estimated useful lives of the related assets using the accelerated cost recovery system and the modified accelerated cost recovery system required by the Internal Revenue Code.

Cash

For purposes of the statement of cash flows, the Company includes only cash on deposit and similar demand deposits that are not subject to withdrawal restrictions or material penalties as cash and cash equivalents.

NOTE B—PROFIT SHARING PLAN

The Company maintains a profit sharing plan for its employees. Contributions to the plan are based on eleven cents (\$.11) per yard of product sold in the quarters that the Company is profitable, an additional \$.0225 per yard of product sold is contributed to the profit sharing plan regardless of whether the company is profitable or not, and \$.0225 per yard of product produced is contributed in quarters that the company is profitable.

Profit sharing contributions expensed as an employee benefit in these financial statements are \$24,098.11.

NOTE C—RELATED PARTY TRANSACTIONS

Western Clay Company is wholly owned by two shareholders representing 63.3% of the stock ownership of the Company. There is currently a note receivable balance of \$55,210.14 owing from Western Clay Company. This note has been classified as a current asset and it is anticipated that the note will be repaid in 1992.

NOTE D—LONG TERM DEBT

Long-term debt consists of the following:

Bank line of credit payable \$43,092.40 per year plus interest accrued at 7.75%, collateralized by accounts receivable and inventory.	\$ 122,783.57
Less amount due within one year	(<u>43,092.40</u>)
	\$ 79,691.17